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**Investment frauds using religion on the rise,  
warns state securities director**

Olympia – Investment frauds that take advantage of victims' religious or spiritual beliefs are rising dramatically, according to Washington's Securities Director Deborah Bortner. She says that losses in three large national cases – Greater Ministries International Church, the Baptist Foundation of Arizona and the IRM Corporation – are approaching \$1.5 billion.

In a Washington case with a religious tie-in, Bortner says her staff has issued a cease and desist order against Tri-Ject International Corporation and its agent, Peter Lemin, both of Puyallup. Shortly after joining a Puyallup-area church, Lemin began showing church members a medical device he planned to produce and sell. By the middle of 2000, more than 250 investors had contributed more than \$500,000 in return for Tri-Ject stock.

Although investors were shown promotional material that included a claim that the corporation had issued 30 million shares "through the U.S. Securities and Exchange Commission," Bortner says that neither Tri-Ject nor Lemin had ever registered with either the SEC or Washington's Securities Division. Her office is continuing its investigation.

In Washington's largest religion-related fraud in recent years, securities investigators shut down Island Mortgage Company/Northwestern Investment Company, which raised more than \$14 million by selling bogus promissory notes. Island also targeted members of the Society of Friends (Quakers), collecting over \$26 million in "premiums" for non-existent health insurance.

Company founder Philip Harmon and his son led lavish lifestyles that included waterfront homes, car collections, and condos in Hawaii. In 1997, Harmon was sentenced to eight years in prison and ordered to pay approximately \$14 million back to investors, and his son Steve was sentenced in 2000 to 15 months for tax evasion.

The new warning by securities regulators about religion-based investment scams coincided with the expected sentencing in federal district court in Tampa, Florida of Greater Ministries International Church founder Gerald Payne on fraud and conspiracy charges. Greater Ministries took in nearly \$580 million, promising tens of thousands of investors that the church would double their money through divinely-inspired investments. In the past three years, regulators in 26 states have taken actions against hundreds of companies and individuals that used religious or spiritual beliefs to gain the trust of investors – over 90,000 nationwide – before swindling many of them out of their life savings.

"When you invest, you shouldn't let your guard down merely because someone is appealing to your religion or your faith," says Bortner. "Always do your homework. Be as skeptical and careful when you invest with someone who shares your faith as you would with anyone else."

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State securities regulators say con artists who use religion to promote their scams often predict imminent financial or social crisis, claim they'll reinvest a portion of the profits in a worthy cause, and equate faith in their scam to religious faith. The scams do not include sale of church bonds, which are regulated in most states and subject to state and federal securities laws.

Before making any investment, Bortner urges investors to ask the following questions:

- *Are the seller and investment licensed and registered in your state?* Check with the Department of Financial Institutions Securities Division by calling 1-800-372-8303 (toll free in Washington) or you can visit them on the Web at [www.dfi.wa.gov](http://www.dfi.wa.gov).
- *Has the seller given you written information that fully explains the investment?* Make sure you get proper written information, such as a prospectus or offering circular, before you buy. You or your financial adviser should have enough clear, accurate information to judge the particulars of the investment.
- *Are claims made for the investment realistic?* Some things really are too good to be true. Use common sense and get a professional, third party opinion when presented with investment opportunities that seem to offer unusually high returns in comparison to other investment options.
- *Does the investment meet your personal investment goals?* Whether you are investing for long-term growth, investment income or other reasons, an investment should match your own investment goals.

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